



# Budget Committee Meeting

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**City of New Orleans**  
September 26, 2019

# Agenda

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- I. City Financial and Operational Landscape
- II. Initial Roll Forward Discussion



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# City Financial and Operational Landscape

# Ongoing Financial and Operational Initiatives

*The Administration has already undertaken efforts to improve the operational and financial capacities of the City*

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## Financial

- Shifting Pressures from Operating to Capital Budget
- Diversifying the City's Funding Sources
- Better Management of Reserve Funding
- Assessed and diversified the City's investment portfolio
- Auditing the City's special funds to identify opportunities to relieve the General Fund

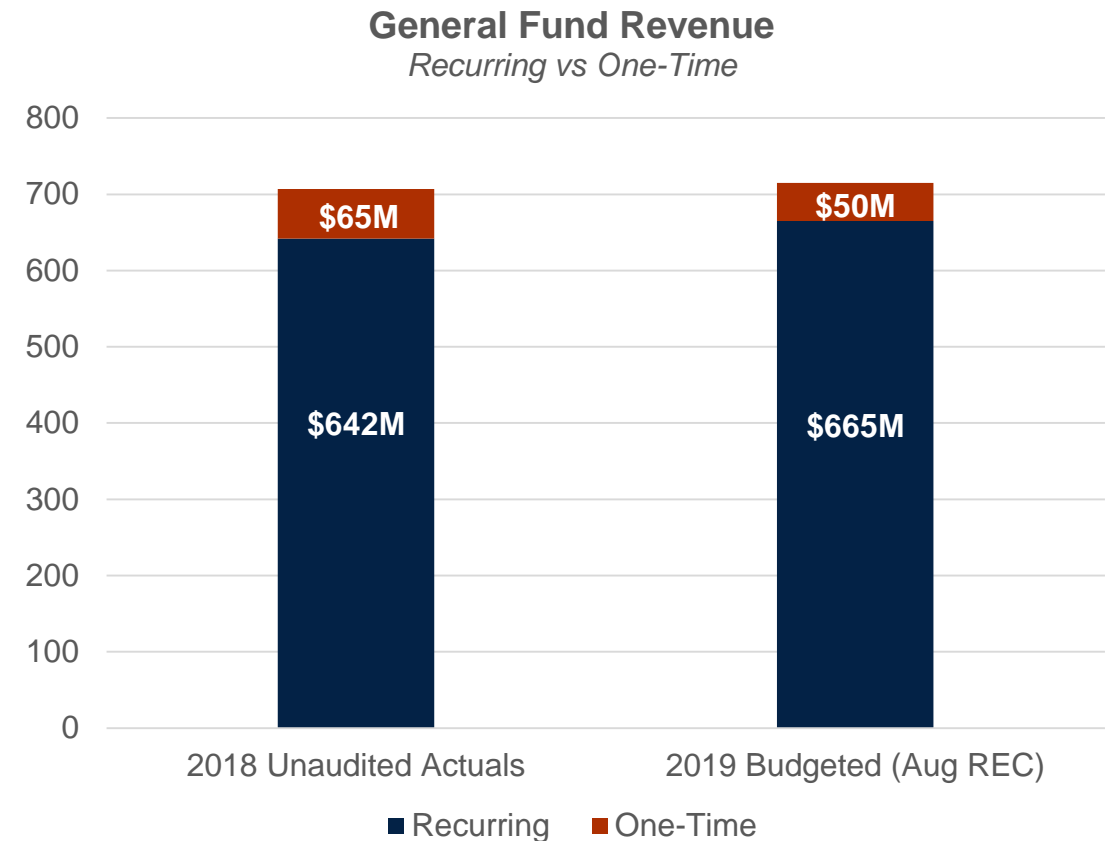
## Operational

- Zero-Based Budgeting
- Enterprise Resource Planning (ERP) System Implementation
- Analyzing Shift Deployment Structures for Public Safety Agencies
- Re-establishment of the Internal Audit Division
- Increasing Accountability and Responsibility Among City Leaders
- Updated business process, policies, and procedures

# One-Time Revenue Used for Recurring Expenses

*The Administration has already started to decrease the City's reliance on one-time money*

- 2018 Revenue
  - Recurring revenues: \$642M
  - One-time revenues: \$65M
- 2019 Revenue
  - Recurring revenues: \$665M
  - One-time revenues: \$50M
- 2020 Revenue
  - 2020 revenues will be forecast at the October REC



# Improved Bond Rating

*Moody's upgraded the City's bond rating ahead of the recent \$50M bond sale and while this is a solid first step, there is still work to do*

City's Bond Ratings			
Year	Moody's	S&P	Fitch
2019	A2	AA-	A+
2018	A3	AA-	A+
2017	A3	AA-	A+
2016	A3	AA-	A+
2015	A3	A- / A+	A-
2014	A3	BBB+	A-
2013	A3	BBB+	A-
2012	A3	BBB	A-
2011	A3	BBB	A-
2010	A3	BBB	A-

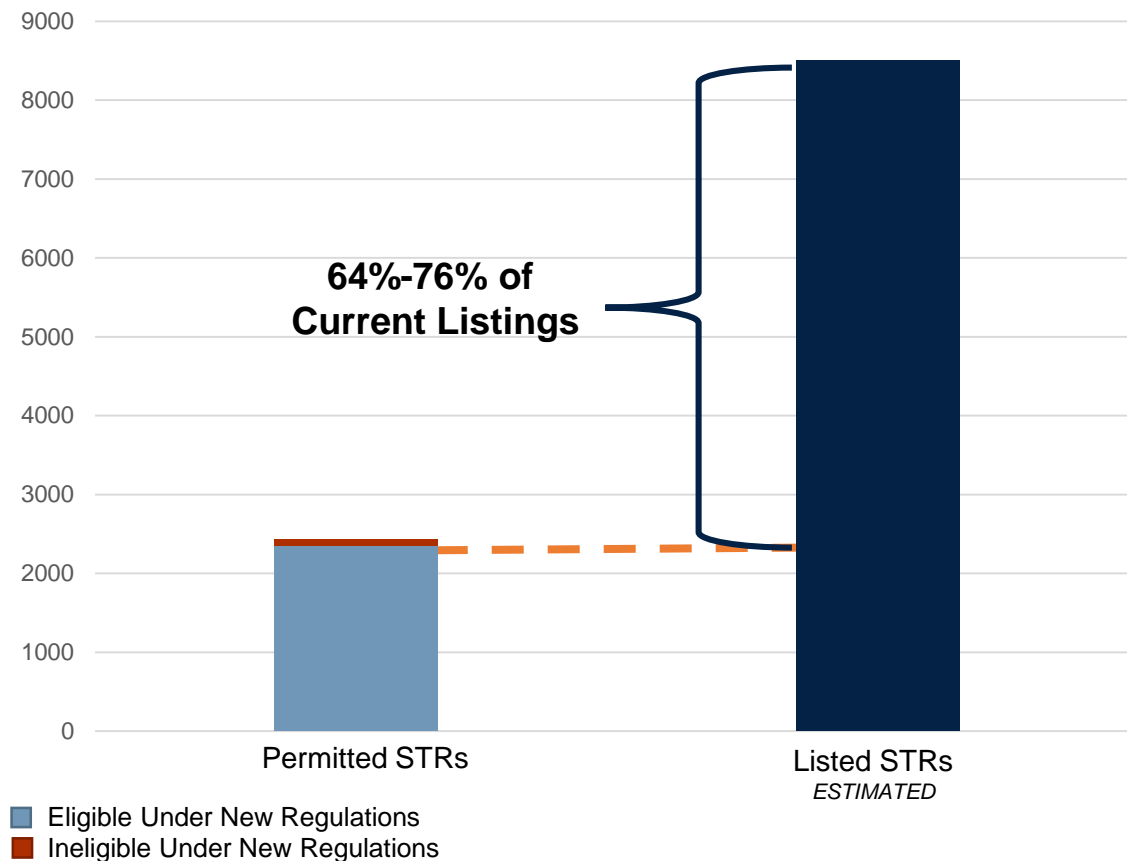
"The city's recent history of conservative budgeting, improved financial performance, and financial policies will likely support a stable financial profile" – **Moody's Rating Summary**

"The stable outlook reflects our view of New Orleans thriving economy, recent positive general fund results, and overall growth in the general fund balance. " – **Standard and Poor's Rating Summary**

"The city's positive performance during the current economic recovery has enabled it to boost reserves and increase pension contributions. These actions indicate a commitment to bolster the city's financial profile..." – **Fitch Rating Summary**

# Potential STR Related Revenue Changes

*Changes to STR regulations and enforcement mechanisms may have an impact over time on the revenue the City receives from STR sales taxes*



## Ineligible Units

25%

50%

75%

## Estimated Revenue Reduction\*

(\$2.55M)

(\$5.1M)

(\$7.65M)

*\* Depends on occupancy and rental rates of ineligible units which cannot be determined; Assumes all units have the same rates*

- The revenue loss could change depending on which units will no longer remit sales tax.
- The decrease in revenue would be offset by any net increases in STR permit fees for use in the City's general fund



# Identified Savings and Revenue Opportunities

*The CAO is leveraging on-going budget hearings, the Zero-Based Budgeting pilot, and other measures to identify budgetary efficiencies*

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## Savings Opportunities

- Identified savings in health care costs **[\$2M]**
- Identified savings in workers' compensation costs **[\$2M]**
- Identified budget surpluses in CAO budget hearings **[\$1.5M]**
- Shifting expenses from the General Fund to Special Funds or the Capital Budget **[\$1M]**
  - Special Funds such as the French Quarter Improvement Fund
  - Capital Budget
- Savings from 311/911 Merger **[\$900K]**

## Revenue Opportunities

- Increase in Franchise Fee collections **[\$2M]**
- Smarter investment strategies for City funds **[\$1M]**
- Audubon Transfer **[\$1M]**
- Proposed Special Event, Permit, and Other Fee Structure Changes **[\$500K]**
- Support adding properties with expired ITEP/IDB exemptions to tax rolls
- Support efforts to ensure non-profit exemptions are aligned with national norms



# ZBB Identified Potential City-Wide Savings

*The ZBB consultants identified the following potential city-wide cost savings opportunities to be further explored in 2020 and 2021*

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- Leverage state contracts **[Up to \$1M]**
- Centralize property management **[Up to \$600K]**
- Centralize vehicle acquisition and maintenance **[Up to \$400K]**
- Centralize contract management **[Up to \$600K]**
- Integrate performance evaluation system with ADP **[Up to \$30K]**

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# **Roll Forward Discussion**

# Mandatory 2020 Expenses

*In prior budgets, these expenses were funded with one-time revenues that are no longer available. Recurring funds are needed for these recurring expenses in 2020*

Expense	Projected Cost	Recurrence Timeline
Police Pay Increases for CURRENT NOPD Officers only	\$13.2M	Perpetual
NOMERS Pension Settlement Payment	\$800K	4 years
Legacy Lawsuits	\$939K	3 years
Employee Education Pay Incentive (Phase 7 of Pay Plan)	\$799K	Perpetual
Employee Merit Pay Increases (Salary Only)	\$2M to \$4M	Perpetual
Public Safety Radio Lease Payments	\$2M	3 years
2020 Projected Total: \$19.7M to \$21.7M		

# Millages Impacted by the Roll Forward

*The following millages are impacted by the City's roll forward request*

Millage	2019 Millage Rate
General Alimony	1.19
General Alimony	13.91
Police and Fire (1)	4.27
Police and Fire (2)	2.13
Police (No Homestead Exemption)	5.26
Fire (No Homestead Exemption)	7.71
Parks and Recreation	3.00
Street and Traffic Control	1.90
Capital Improvement	1.82
NHIF/EDF	1.82
<b>TOTAL REC GENERAL FUND AND SPECIAL FUNDS MILLAGES</b>	<b>43.01</b>

# Magnitude of the Roll Forward

*Depending on the final growth of assessments after review, the amount of general fund revenue available to roll forward ranges from **\$16M to \$24M***

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Increase in Total Net Assessments from 2019 to 2020*	Total Estimated Revenue Associated with Assessment Increase
18.4%	\$24.0M
17.0%	\$22.4M
16.0%	\$21.1M
15.0%	\$19.9M
14.0%	\$18.6M
13.0%	\$17.3M
12.0%	\$16.1M

*\* Assumes no change in New Construction Assessments or Homestead Exemptions from 7/25/19 estimates*

# 100% Roll Forward – Tax Payer Example

*REC and Special Fund Millages - excluding Board of Liquidation*

*Assumes 18.4% Assessment Growth*

Annual Taxes Based On Assessed Value										
Assessed Value Of Home/Property	\$100,000	\$200,000	\$250,000	\$300,000	\$350,000	\$400,000	\$450,000	\$500,000	\$750,000	\$1,000,000
Residence With Homestead Exemption	\$20.63	\$65.51	\$87.95	\$110.39	\$132.83	\$155.27	\$177.71	\$200.15	\$312.35	\$424.55
Residence Without Homestead Exemption And Commercial Land	\$44.88	\$89.76	\$112.20	\$134.64	\$157.08	\$179.52	\$201.96	\$224.40	\$336.60	\$448.80
Commercial Structures And Personal Property	\$67.32	\$134.64	\$168.30	\$201.96	\$235.62	\$269.28	\$302.94	\$336.60	\$504.90	\$673.20
Public Service Property	\$112.20	\$224.40	\$280.50	\$336.60	\$392.70	\$448.80	\$504.90	\$561.00	\$841.50	\$1,122.00

Monthly Taxes Based On Assessed Value										
Assessed Value Of Home/Property	\$100,000	\$200,000	\$250,000	\$300,000	\$350,000	\$400,000	\$450,000	\$500,000	\$750,000	\$1,000,000
Residence With Homestead Exemption	\$1.72	\$5.46	\$7.33	\$9.20	\$11.07	\$12.94	\$14.81	\$16.68	\$26.03	\$35.38
Residence Without Homestead Exemption And Commercial Land	\$3.74	\$7.48	\$9.35	\$11.22	\$13.09	\$14.96	\$16.83	\$18.70	\$28.05	\$37.40
Commercial Structures And Personal Property	\$5.61	\$11.22	\$14.03	\$16.83	\$19.64	\$22.44	\$25.25	\$28.05	\$42.08	\$56.10
Public Service Property	\$9.35	\$18.70	\$23.38	\$28.05	\$32.73	\$37.40	\$42.08	\$46.75	\$70.13	\$93.50

*Note: Apartment buildings and STRs are taxed as residential  
These numbers are before any impacts from the phase-in.*

# Worst Case Scenario – Full Roll Back

*A full roll back could result in a **\$20M to \$25M** budget hole for the City in addition to challenges with expiring one-time revenues*

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## Potential Budget Cuts

- Layoff of 500+ positions Citywide **[\$25M]**
- 10% overall cut to all other operating budgets **[\$25M]**
- 13% across the board pay cuts **[\$25M]**
- Elimination of **new** public safety positions **[\$8M]**
  - Elimination of 48 new fire recruits
  - Elimination of 60 new police recruits
  - Elimination of 28 new EMS recruits
- Decrease in funding for priority initiatives and projects **[\$3M to \$6M]**
  - Sobering Center
  - CleanUpNOLA
  - Council Initiatives

## Impacts for Residents

- Slower non-emergency response times from public safety agencies
- Reduction in NORD-C, Library, and Parks & Parkways programs, hours, and activities
- Additional processing time for 311 requests, permit applications, blight removal, and sales tax requests
- Further reductions to the City's recycling program
- Closing of recreation centers, senior centers, and libraries
- Increase in time it takes to fill pot holes, service cuts, and make infrastructure repairs

# Summary

*Without a roll forward, the City will need to seek other options to identify funding for these expenses either through the use of savings or the implementation of significant budget cuts*

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- The Administration has been working to right the City's financial ship
  - putting us on a path toward long term financial stability
- The City needs to identify funds to support **~\$20M** in mandated recurring costs historically paid for by one time funds
- A roll forward will allow the City to:
  - match recurring expenses with a recurring revenue source
  - grow (instead of shrink) the fund balance – allowing the City to be better prepared for the future
  - invest in our employees and improve the services provided to residents





# Questions?

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City of New Orleans